

**May 2001**

**INITIAL ASSESSMENT OF  
MODIFICATION PROPOSAL P017**

**ECVNAs to Receive 7-Day Report**

**Prepared By ELEXON Limited**

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## A DOCUMENT CONTROL

### a Authorities

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0.1	24 May 01	Tim Fleisig		
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Version	Date	Reviewer	Signature	Responsibility

### b Distribution

Name	Organisation
BSC Panel	Various

### c Intellectual Property Rights and Copyright

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## **1 INTRODUCTION**

This Report has been prepared by ELEXON Ltd. on behalf of the Balancing and Settlement Code Panel ('the Panel'), in accordance with the terms of the Balancing and Settlement Code ('BSC'). The BSC is the legal document containing the rules of the balancing mechanism and imbalance settlement process and related governance provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the BSC.

An electronic copy of this document can be found on the BSC website, at [www.elexon.co.uk](http://www.elexon.co.uk)

## 2 EXECUTIVE SUMMARY

Modification Proposal P017 was submitted by Power Ex on 23 May 2001 and an initial assessment of the Proposal has identified the following potential areas of impact and issues to be considered:

- Extensions to ECVAA functionality;
- Balancing and Settlement Code;
- Party Agent systems;

It is recommended that the Modification Proposal is progressed as follows:

- Modification Proposal P017 be submitted to the Assessment Procedure, allowing one month to report.
- A costing and implementation timescale be obtained from Logica as part of the assessment
- Impact assessment from ECVAA and ECVNAs using a definition of the report
- The modification Group to consider P017 be based on the membership of P1/P4 group called the Contract Notification Modification Group.
- Delegate authority to the Panel Chairman to agree the membership of the Modification Group.

### 3 PURPOSE AND SCOPE OF THE REPORT

Section F of the BSC sets out the procedures for progressing proposals to amend the BSC (known as 'Modification Proposals'. These include procedures for proposing, consulting on, developing, evaluating and reporting to the Authority on potential modifications.

The BSC Panel is charged with supervising and implementing the modification procedures. ELEXON provides the secretariat and other advice, support and resource required by the Panel for this purpose. In addition, if a modification to the Code is approved or directed by the Authority, ELEXON is responsible for overseeing the implementation of that amendment (including any consequential changes to systems, procedures and documentation).

When a new proposal to modify the BSC is made, it is the responsibility of the Panel to determine how it should be progressed. Options include submitting the proposal to a Definition Procedure<sup>1</sup>, submitting it to an Assessment Procedure<sup>2</sup>, amalgamating the proposal with another proposal<sup>3</sup>, or proceeding directly to the Report Phase<sup>4</sup>. With a view to assisting the Panel in taking this decision, ELEXON prepares this initial written assessment of the implications of the Modification Proposal as soon as reasonably practicable after the proposal is made<sup>5</sup>. ELEXON endeavours to complete this initial assessment such that it can be reviewed by the Panel at the Panel meeting at which the relevant Modification Proposal is first to be considered.

This initial assessment provides a preliminary view on the following:

- the potential impact of the proposed modification on BSC systems and processes;
- the potential impact of the proposed modification on other systems and processes used by Parties;
- the potential impact of the proposed modification on the BSC, Code Subsidiary Documents and Core Industry Documents;
- the potential impact of the proposed modification on ELEXON;
- the potential impact of the proposed modification on BSC financial arrangements and budget;
- the potential impact of the proposed modification on BSC Agent contractual arrangements;
- The process and timetable that should be adopted for the progression of the Modification Proposal, in light of its complexity, importance and urgency; and
- Issues that will need to be considered and addressed in progressing the Modification Proposal (including the potential need for impact assessments, consultation and analyses).

It should be noted that, as this document only represents a preliminary assessment of the Modification Proposal, the information contained herein will, in most cases, be superseded by the subsequent analysis and reports produced by the Modification Group to which the Panel assigns the proposal for consideration.

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<sup>1</sup> see BSC F2.5

<sup>2</sup> see BSC F2.6

<sup>3</sup> see BSC F2.3

<sup>4</sup> see BSC F2.7

<sup>5</sup> see BSC F2.1.8

## 4 DETAILS OF THE MODIFICATION PROPOSAL

A copy of the Modification Proposal form, as submitted by its proposer, can be found at Annex 1 to this report. The form contains the following information provided by the proposer in relation to the proposal<sup>6</sup>:

- the name of the Proposer;
- the name of the representative of the Proposer (and his alternate) who shall represent the Proposer in person;
- a description (in reasonable but not excessive detail) of the issue or defect which the proposed modification seeks to address;
- a description (in reasonable but not excessive detail) of the proposed modification and of its nature and purpose;
- where possible, an indication of those parts of the Code which would require amendment in order to give effect to (and/or would otherwise be affected by) the proposed modification and an indication of the nature of those amendments or effects;
- the reasons why the Proposer believes that the proposed modification would better facilitate achievement of the Applicable BSC Objective(s) as compared with the then current version of the Code;
- where possible, an indication of the impact of the proposed modification on Core Industry Documents; and
- where possible, an indication of the impact of the proposed modification on BSC Systems and on other relevant computer systems and processes used by Parties.

The issue identified by this Modification Proposal covers 3<sup>rd</sup> party ECVNAs who would not normally received a 7-Day Report (Forward Contract Report), which is sent to Contract Trading parties. The majority of ECVNAs are also Contract Trading Parties so would currently receive the 7-Day report for their own trades.

There is a view that short term trading and liquidity is low due to notification risks. These notification risks can be reduced through tighter confirmation processes, including that contained within the 7-Day Report. Sending the appropriate version of the 7-Day Report to 3<sup>rd</sup> Party ECVNAs would assist with this. This would better fulfil the relevant objectives by better facilitating improved efficiency of the market, promoting effective competition in generation and supply, by encouraging and facilitating trading.

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<sup>6</sup> See BSC F2.1.2

**5 IMPACT ON BSC SYSTEMS AND PROCESSES**

<b>BSC System / Process</b>	<b>Potential Impact of Proposed Modification</b>
<b>Registration</b>	No impact identified at this time
<b>Contract Notification</b>	No impact identified at this time
<b>Credit Checking</b>	No impact identified at this time
<b>Balancing Mechanism Activities</b>	No impact identified at this time
<b>Collection and Aggregation of Metered Data</b>	No impact identified at this time
<b>Supplier Volume Allocation</b>	No impact identified at this time
<b>Settlement</b>	No impact identified at this time
<b>Clearing, Invoicing and Payment</b>	No impact identified at this time
<b>Reporting</b>	Some impact on reporting by ECVAA, see below.
<b>Dispute Resolution</b>	No impact identified at this time
<b>Central systems – Energy Contract Volume Aggregation Agent systems</b>	New version of the Forward Contract Report sent daily to relevant ECVNAs.

## 6 IMPACT ON OTHER SYSTEMS AND PROCESSES USED BY PARTIES

System / Process	Potential Impact of Proposed Modification
Party Agent System	ECVNAs who elect to receive this report must cater for its receipt.

## 7 IMPACT ON DOCUMENTATION

### 7.1 Impact on Balancing and Settlement Code

BSC Section	Potential Impact of Proposed Modification
A: Parties and Participation	No impact identified at this time
B: The Panel	No impact identified at this time
C: BSCCo and its Subsidiaries	No impact identified at this time
D: BSC Cost Recovery and Participation Charges	No impact identified at this time
E: BSC Agents	No impact identified at this time
F: Modification Procedures	No impact identified at this time
G: Not Used	No impact identified at this time
H: General	No impact identified at this time
I: Not Used	No impact identified at this time
J: Party Agents	No impact identified at this time
K: Classification and Registration of Metering Systems and BM Units	No impact identified at this time
L: Metering	No impact identified at this time
M: Credit Cover and Credit Default	No impact identified at this time
N: Clearing, Invoicing and Payment	No impact identified at this time
O: Communications	No impact identified at this time

BSC Section	Potential Impact of Proposed Modification
P: Energy Contract Volumes and Metered Volume Reallocations	No impact identified at this time
Q: Balancing Mechanism Activities	No impact identified at this time
R: Collection and Aggregation of Metered Data from CVA Metering Systems	No impact identified at this time
S: Supplier Volume Allocation	No impact identified at this time
S: ANNEX S-1 Performance Levels and Supplier Charges	No impact identified at this time
S: ANNEX S-2 Supplier Volume Allocation Rules	No impact identified at this time
T: Settlement and Trading Charges	No impact identified at this time
U: Provisions Relating to Settlement	No impact identified at this time
V: Reporting	Table 3 Annex V-1, Forward Notification Summary. To be amended to include ECVNAs in list of recipients of the report.
W: Trading Queries and Trading Disputes	No impact identified at this time
X: Definitions and Interpretation	No impact identified at this time
X: ANNEX X-1 General Glossary	No impact identified at this time
X: ANNEX X-2 Technical Glossary	No impact identified at this time

## 7.2 Impact on Code Subsidiary Documents

Code Subsidiary Document	Potential Impact of Proposed Modification
BSC Procedures	No impact identified at this time
Codes of Practice	No impact identified at this time
BSC Service Descriptions	Impact on Service Description
Party Service Lines	No impact identified at this time
Data Catalogues	Impact on NETA Data File Catalogue.
Communication Requirements Documents	No impact identified at this time
Reporting Catalogue	Impacted by change to reporting.

### 7.3 Impact on Core Industry Documents

Core Industry Document	Potential Impact of Proposed Modification
Grid Code	No impact identified at this time
MCUSA	No impact identified at this time
Supplemental Agreements	No impact identified at this time
Ancillary Services Agreements	No impact identified at this time
Master Registration Agreement	No impact identified at this time
Data Transfer Services Agreement	No impact identified at this time
British Grid Systems Agreement	No impact identified at this time
Use of Interconnector Agreement	No impact identified at this time
Pooling and Settlement Agreement	No impact identified at this time
Settlement Agreement for Scotland	No impact identified at this time
Distribution Codes	No impact identified at this time
Distribution Use of System Agreements	No impact identified at this time
Distribution Connection Agreements	No impact identified at this time

### 8 IMPACT ON OTHER CONFIGURABLE ITEMS

Item	Potential Impact of Proposed Modification
ECVAA URS	Impact reflecting reporting change.
Interface Definition Document (IDD)	Impact reflecting changes in the Catalogue.

## 9 IMPACT ON ELEXON

Area of Business	Potential Impact of Proposed Modification
ELEXON Systems	No impact identified at this time
ELEXON Procedures	No impact identified at this time
ELEXON Contracts (Excluding BSC Agent Contracts)	No impact identified at this time
Other (e.g. costs, staffing, etc.)	No impact identified at this time

## 10 IMPACT ON FINANCIAL ARRANGEMENTS AND BUDGET

There is likely to be a cost for developing and producing this report. Whilst development costs could draw on the £10m modifications budget the daily operations would impact the Trading Budget, possibly under ad hoc reporting?

**11 IMPACT ON BSC AGENT CONTRACTUAL ARRANGEMENTS**

<b>BSC Agent Contract</b>	<b>Potential Impact of Proposed Modification</b>
Logica (BMRA, CRA, CDCA, SAA, ECVAA, TAA(CVA))	Concerning the ECVAA: A quote on the amendments is required, there is probably no Contract change required, there is a possible Service Description change
EPFAL (FAA)	No impact identified at this time
ESIS (TAA(SVA))	No impact identified at this time
Cap Gemini (SVAA)	No impact identified at this time
PwC (BSC Auditor, Certification Agent)	No impact identified at this time
EASL (Teleswitch Agent, Profile Administrator)	No impact identified at this time

## **12 PROCESS AND TIMETABLE FOR PROGRESSING THE PROPOSAL**

Initial assessment of the Modification Proposal P017 identified an impact on BSC Agent systems and on Party Agents, together with a small impact on the BSC and other documentation.

ELEXON recommends that this Modification Proposal be submitted to a based on the membership of P1/P4 group called the Contract Notification Modification Group. Delegated authority be sought for the Panel Chairman to agree the membership of the Modification Group.

The Modification Group to be actioned to provide its report to the Panel within one month.

### 13 ISSUES

The following issues will need to be considered and addressed in progressing the Modification Proposal:

- The need to consult the ECVNAs to ensure this is a general requirement;
- The need to conduct full impact assessment by ECVAA

**ANNEX 1 – MODIFICATION PROPOSAL**

<b>Modification Proposal</b>	<b>MP No: 17</b> <i>(mandatory by BSCCo)</i>
<b>Title of Modification Proposal</b> <i>(mandatory by proposer):</i> Ecvnas To Receive 7 Day Report	
<b>Submission Date</b> <i>(mandatory by proposer):</i> 23 May 2001	
<b>Description of Proposed Modification</b> <i>(mandatory by proposer):</i> Energy Contract Volume Notification Agents should receive an appropriate version of the 7-Day Report confirming notified volumes received by the ECVAA daily for periods up to 7 days before gate closure. This should cover all ECVNAAs that are currently active.	
<b>Description of Issue or Defect that Modification Proposal Seeks to Address</b> <i>(mandatory by proposer):</i> Currently the 7-Day Report is received by participants, but not by ECVNAs. The report provides participants with confirmation that notifications have been processed correctly. However, there is no confirmation of notification to ECVNAs other than the protocol "ACKs".  It is essential that 3 <sup>d</sup> Party ECVNA also receives these confirmations to manage their own errors and omissions risk. Especially for those 3 <sup>d</sup> Party ECVNAs which are guaranteeing that notifications will be processed on time and correctly.  Notifications errors and omissions is a risk, not only to participants and 3 <sup>d</sup> Party ECVNAs, but to the entire industry. The more controls on these risks through tighter confirmation processes, the more comfortable participants will become with the transaction process, particularly transacting close to gate closure. This will lead to more short term liquidity and less exposure to the balancing mechanism.	
<b>Impact on Code</b> <i>(optional by proposer):</i> The Code provides for 7 Day Reports to be received by Contract Trading Parties (see in particular Table 3 in Annex V-1). To accommodate our proposal, this would need to be expanded to include party agents or ECVNAs.	
<b>Impact on Core Industry Documents</b> <i>(optional by proposer):</i> The ECVAA URS provides for 7-Day Reports to be received by ECVNA as BSC Parties. Therefore, no changes required.	
<b>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties</b> <i>(optional by proposer):</i> New modified report will need to be developed, which will effectively be a subset of the 7-Day Report.	
<b>Impact on other Configurable Items</b> <i>(optional by proposer):</i>	

<b>Modification Proposal</b>	<b>MP No: 17</b> <i>(mandatory by BSCCo)</i>
<p><b>Justification for Proposed Modification with Reference to Applicable BSC Objectives</b> <i>(mandatory by proposer):</i></p> <p>There is a view that short term trading and liquidity is low due to notification risks. These notification risks can be reduced through tighter confirmation processes, including sending the appropriate version of the 7-Day Report to 3<sup>rd</sup> Party ECVNAs. Modification cost and effort should be small as IT interfaces, report generation algorithms, data formats and contractual framework already exist.</p>	
<p><b>Details of Proposer:</b></p> <p style="padding-left: 40px;"><b>Name:</b> Derek Myers</p> <p style="padding-left: 40px;"><b>Organisation:</b> PowerEx Limited</p> <p style="padding-left: 40px;"><b>Telephone Number:</b> 0208 528 1438</p> <p style="padding-left: 40px;"><b>Email Address:</b> derek.myers@powerex.net</p>	
<p><b>Details of Proposer's Representative:</b></p> <p style="padding-left: 40px;"><b>Name:</b> Derek Myers</p> <p style="padding-left: 40px;"><b>Organisation:</b> PowerEx Limited</p> <p style="padding-left: 40px;"><b>Telephone Number:</b> 0208 528 1436</p> <p style="padding-left: 40px;"><b>Email Address:</b> murray.dyer@powerex.net</p>	
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<p><b>Attachments: NO</b></p> <p><b>If Yes, Title and No. of Pages of Each Attachment:</b></p>	